

# A Summary of Land Conservation Options For Landowners in the Puget Sound Area



The Pacific Northwest is a region of unparalleled natural beauty, from Olympic Mountain peaks to salmon-rich Puget Sound, from fertile forests and farmlands, to shimmering streams and boulder-strewn beaches. Our ecological treasures have not been taken for granted. Olympic National Park, the state, county and city park networks, and the private lands enrolled in conservation programs reflect the resolve of our citizens to protect natural areas for current and future generations.

Landowners of the Puget Sound area can play a vital role in the conservation of the diverse natural landscapes that define our region. The preservation of key farms and woodlands, wetlands and streams, shorelines and groundwater resources by landowners is critical to the overall effort to conserve the vibrant ecological mosaic that is the Pacific Northwest.

Some of the conservation tools available to landowners include conservation easements and county current use taxation programs. These and other tools are described on the following pages. Examples of landowner efforts to protect and conserve natural lands are highlighted, and local governmental and private organizations that can assist with the implementation of conservation tools are identified.



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WASHINGTON STATE UNIVERSITY



JEFFERSON COUNTY EXTENSION



JEFFERSON CO.

CONSERVATION DISTRICT



PUGET SOUND  
ACTION TEAM

*Office of the Governor*

**As a landowner in the Pacific Northwest, you have a unique opportunity to help maintain or improve the health of stream and shoreline areas.**

**Healthy streams, shorelines, and salt marshes:**

- ✓ Reduce the chance of flooding
- ✓ Improve water quality
- ✓ Support nearshore nurseries that are spawning, rearing, and breeding grounds for numerous species.

**Plants in healthy riparian areas:**

- ✓ Provide wood to streams, creating fish habitat and slowing the stream current after a storm.
- ✓ Shade streams in summer. Cool water is healthier for many native fish species
- ✓ Help prevent erosion with their roots
- ✓ Filter sediment out of muddy runoff, keeping it from smothering fish habitat
- ✓ Filter out pollutants such as fertilizers, pesticides, and animal wastes

Oregon State University 2002  
+ marine shoreline update



## **Why Should I Conserve Land?**

A rich natural heritage of mountains and forests, rivers and streams, and miles of diverse coastline draw many people to live in the Puget Sound area. Working farms, forestlands, and fisheries have long sustained the region's inhabitants. Salmon are a keystone species that hold significant cultural, economic and ecological value in our Pacific Northwest bioregion. Landowners seeking to protect and steward our natural resource heritage can use conservation tools to (1) protect key habitat parcels on their land important to salmon and other wildlife, (2) conserve open space, (3) support their farming and forestry management practices, (4) retain ownership of their land, and (5) reap financial benefits such as income, estate, and property tax reductions. Landowners using conservation tools are practicing an ethic that values open space, wildlife habitat, and natural resource lands for current and long-term benefit and enjoyment.

## **Who Can Help Me with Land Conservation Tools?**

Property owners pursuing land conservation options can seek support from both private and public organizations. Private land trusts are nonprofit organizations that are tax-exempt under the Internal Revenue Code. Land trusts are available to explain the numerous conservation options and to work with individual property owners, community organizations, developers and local jurisdictions to assist in implementing conservation plans. For example, **Jefferson Land Trust** is a private, non-profit land trust working with landowners across east Jefferson County. Local governments such as **Jefferson County** also acquire land for conservation purposes, or provide property owners with tax incentives to preserve conservation values and natural resources on private land. Some of the local and regional land conservation organizations working in the Puget Sound area are listed on page 4. These organizations can be contacted with any questions or ideas on how the techniques summarized below can help you, your family, or other partners in conservation with whom you work.

## **What Conservation Tools Might I Use?**

There are many options available to a landowner interested in conservation; a combination of tools often will be utilized. Brief summaries of commonly used conservation tools are provided on the following pages. Conservation easement, purchase, and donation options offered by both public and private groups are first summarized, followed by tax incentive programs offered by local governments.

### **Conservation Easements**

A conservation easement is a legal agreement between a landowner and a qualified conservation organization or a government agency that permanently limits land uses in order to protect conservation values. Certain rights, which a landowner holds by owning a property, are granted to the qualified conservation organization or agency through the conservation easement. For example, in a conservation easement, a landowner may permanently reduce the number of homes that can be built on a property. Or, to permanently preserve a forest for wildlife habitat, an easement may prohibit or limit logging, or identify acceptable logging practices. Conservation easements can also be used to protect agricultural and forest resource lands. The extent and nature of the restrictions are based on the conservation goals of the landowner in combination with the goals of the organization or agency.



A conservation easement offers several advantages. The grantor of an easement retains ownership and may continue to use the land, sell it, or pass it on to heirs. Easements are flexible, and can be written to meet a landowner's needs while protecting the conservation values. An easement provides permanent restrictions that continue to apply to future owners. The organization or agency holding a conservation easement is responsible for ensuring that its restrictions are enforced. The easement holder may ask the landowner for a monetary donation to fund long-term stewardship and monitoring activities.

A conservation easement can be donated outright or in a will. The donation of an easement can lower federal income and estate taxes and, in some cases, local property taxes. For example, if an easement extinguishes any future development of a property, the property owner may be eligible for a federal tax deduction equal to the value of the extinguished development rights. To be eligible, a qualified appraisal of the before and after value of the land must be completed and the easement must meet IRS standards for "qualified conservation contributions."

## Selling Land

Government and non-profit organizations often have limited financial resources available for fair market value purchases. A landowner offering a bargain sale (that is, less than fair market value) increases the possibility that funding can be obtained for the transaction. A bargain sale also offers potential tax benefits to the seller. The difference between the appraised fair market value and the sale price to a land trust or a government agency is considered a tax-deductible charitable contribution. In this way, tax savings realized by the seller may partially offset the apparent financial sacrifice of a bargain sale. A landowner may offer an option to purchase, under which the buyer and seller agree to a specific sale price and terms, giving a conservation group a specific time period to raise the necessary funds. An owner may also offer a right of first refusal, giving a conservation organization a specific period of time to match a bona fide offer from another purchaser.

## Donating Land

Land donated to a private land trust or a government agency is truly one of the finest legacies a person can leave for future generations. Donating land may be especially attractive to a landowner:

- whose land has significant conservation values and no heir is available to protect the land;
- who owns highly appreciated property which if sold would result in large capital gains taxes;
- who has substantial real estate holdings and wishes to reduce estate tax burdens; or
- who would like to be relieved of the responsibility of managing and caring for land that is otherwise treasured.

An owner may donate the entire fee simple interest in the property by deed or transfer a partial interest either by deed or by creating a conservation easement. (continued on Page 4)

### Jefferson Land Trust

Jefferson Land Trust's mission is to help the community to preserve open space, working lands and habitat forever. Landowners can work with the land trust when they want to permanently protect wetlands, floodplains, farmlands, wildlife corridors and scenic areas from inappropriate development.

### Examples of Protected Lands:

#### Quimper Wildlife Corridor:

A greenbelt of native vegetation connecting important forest and wetland habitats between Middlepoint Land Conservancy and Fort Worden State Park.

**Barnhouse Conservation Easement:** 33-acre conservation easement on the headwaters of the west fork of Chimacum Creek with habitat for coho salmon, steelhead, cutthroat trout, and other wildlife.



Chimacum Creek Valley



Shine Tidelands State Park

## CONTACTS

### Jefferson County Government

#### Current Use Taxation

Farm and Forest programs:  
Jack Westerman  
County Assessor  
360-385-9105  
[jwesterman@co.jefferson.wa.us](mailto:jwesterman@co.jefferson.wa.us)

Timber/Open Space programs:  
Mo chi Lindblad  
Department of Community  
Development  
360-379-4462  
[mlindblad@co.jefferson.wa.us](mailto:mlindblad@co.jefferson.wa.us)

#### **Land Trusts**

Jefferson Land Trust  
360-379-9501  
[programs@saveland.org](mailto:programs@saveland.org)  
<http://www.saveland.org/>

#### **Conservation District**

Al Latham  
Jefferson Conservation District  
360-385-4105  
[Latham@Jefferson.WSU.edu](mailto:Latham@Jefferson.WSU.edu)

#### **WSU Extension**

Pat Pearson  
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360-379-5610, ext 204  
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360-428-4270  
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<http://www.skagit.wsu.edu/forestry/index.html>

The donation of any interest in land to a qualified charitable organization, such as a nonprofit land trust, may provide substantial income, property, or estate tax benefits, as well as avoidance of taxation on capital gains. Federal tax deductions can be spread over six years. A donation can also be divided into several smaller gifts that are transferred to a land trust over a period of several years to utilize more effectively the resulting charitable deduction.

Land can also be donated subject to a *reserved life estate*, meaning that the landowner and other identified persons can continue to live on the donated property during their lifetimes. A *donation by will* allows an owner to enjoy full lifetime use of the property while assuring that its conservation values will be protected for future generations.

Before donating land, it is important to make sure that the property meets the criteria established by both the conservation organization you have chosen to work with and by any applicable tax regulations. **Because federal regulations may limit a taxpayer's ability to fully utilize a deduction, a landowner should seek professional advice when considering conservation options.**

### **Jefferson County Current Use Taxation Programs**

In 1971 the State of Washington enacted an Open Space Taxation Act. The act offers reduced property taxes to property owners who agree to preserve conservation values and/or natural resources on their land (see regulations in Chapters 84.34 and 84.33 of the revised code of Washington and Chapter 458-30 of the Washington Administrative Code.) This conservation tool is referred to as "current use taxation", because the property tax is based on the "current use" of the property (for example, undeveloped land with intact conservation values) rather than the "highest and best use" that usually applies on land within the county. By agreeing to not develop or use the land to the highest and best use allowed, the property owner pays a tax based on a lower land assessed value, which is less than fair market value tax.

Jefferson County administers the four current use taxation programs for property located in Jefferson County. These incentive programs offer tax advantages to property owners with land that enrolls in one of the following:

- Open Space Lands that have one or more of the eligible resources listed by the county under its open space tax program. Examples of eligible resources include wetlands, shorelines, fish and wildlife habitat, stream corridors, floodplains, and urban open space. Public access to open space lands is encouraged (through increased tax incentives) but not required.
- Five to twenty acres of contiguous **Timber Land** in a rural, agricultural or forest zone. The land must be devoted primarily to the growth and harvest of forest crops for commercial purposes, and a forest management plan must be developed and approved. Landowners requiring assistance in completing a forest management plan can attend Washington State University forest stewardship classes (see Andy Perleberg contact information to left.)
- Twenty or more acres of contiguous **Forest Land** primarily devoted to the growth and harvest of timber (This is the only RCW 84.33 program; the other three are found in RCW 84.34).

- **Farm and Agricultural lands:** for property used for the production of livestock or agricultural commodities for commercial purposes. The financial requirements are dependent on the size of the land and the gross annual revenue received for the land for three out of the last five years. Farms between 5 and 20 acres must derive an annual income from agricultural uses of \$200 or more per acre. Farms of less than 5 acres must derive an annual income of \$1,500 or more from agricultural uses while farms of 20 acres or more have no annual income requirements.

Land eligible for the Open Space Lands program is scored according to the number of conservation values present (referred to as public benefit rating system.) The higher the public benefit rating score the higher the percent reduction the landowner receives in his or her “highest and best use” tax rate. The reduction in taxable value ranges from 30% to 90% for the portion of the property enrolled in the open space program. This saving is for the assessed value of the land only, and doesn’t affect the assessed value of improvements. Tax reductions for timberland, forestland, and farmlands are based on state forest or agriculture values.

There is an annual current use taxation program application deadline of December 31st. There is a financial disincentive for early withdrawal from any current use taxation program. Basically, tax savings for up to the most recent seven years (RCW 84.34) and interest are owed, and a landowner may incur a 20% penalty if the land is not enrolled for ten years and if two years notice for withdrawal is not given. If land ownership changes, the new buyer may agree to remain in the current use taxation program. Otherwise, the owner is responsible for any withdrawal costs.

## Conservation Strategy

Before finalizing a conservation plan, consider the following:

- (1) **Identify your conservation partners.** Jefferson Land Trust, Jefferson County, or other land conservation organizations can provide you with guidance on appropriate conservation options. Your accountant and attorney can also provide necessary information. Consult other specialized financial and legal advisors as necessary before entering into any land conservation transaction.
- (2) **Determine your land conservation goals.** Do you wish to continue living on the land and pass it on to your heirs? What are the features or functions of the land that you want to conserve? What are the greatest threats to the land and its conservation values? Do you have conservation goals that fit into the needs of your community?
- (3) **Understand your personal and financial situation.** Do you need income from the land? Do you want to build additional homes on the land? Is the land your most significant asset? How much has your land appreciated in value?
- (4) **Set your goals and priorities.** Consider what you have learned about your land, and decide what values are the most important and what you are trying to accomplish.
- (5) **Determine what existing programs or laws are available to help you achieve your goals.** Design a strategy that fits your needs with the assistance of the appropriate professionals. Recognize that each situation is unique, that your actions are voluntary, and that options available today may not be in the future.

## Conservation Flow Chart

This chart is a good starting place for considering the best option for protecting your property

Do you want to retain title to your property?

**YES:**

Current Use Taxation  
Conservation easement  
Management agreement  
Mutual covenant

NO

Do you want to receive compensation for your property?

**YES:**

Fair market value sale  
Bargain sale

NO

Do you want to continue to live on your property?

**YES:**

Donation by will  
Donation by remainder interest



## CONSERVATION RESERVES AND OTHER OPTIONS

Another conservation option for landowners is to enroll eligible lands in permanent easement or 10- to 30-year easement payment programs. Cost-share agreements and technical support are also available. The **Jefferson Conservation District** and the **Natural Resources Conservation Service** offer several such programs, including:

- the **Conservation Reserve Enhancement Program** (receive payments for enrolling stream side lands in 10- to 15- year contracts. Restoration cost share also available.)
- the **Wetland Reserve Program** (land easement options and restoration cost share programs)
- the **Wildlife Habitat Incentives Program** (cost share for upland, wetland, riparian, and aquatic habitat)
- the **Environmental Quality Incentives Program** (cost share for agricultural producers to optimize environmental benefits)
- a new **Conservation Security Program** (financial compensation for natural resource management on agricultural lands).

Contact **Al Latham** of the **Jefferson Conservation District** for further details on these conservation options (360-385-4105 or [Latham@Jefferson.WSU.edu](mailto:Latham@Jefferson.WSU.edu)).



*Ida and Harry Bailey*

*Harry and Ida Bailey's 190 acres of farmland and forest are adjacent to the Olympic National forest and are bisected by the Dosewallips River. In 1994 the Baileys donated a conservation easement to Jefferson Land Trust. Ida Bailey provided a bit of history and motivation for protection of the property...*

"Eighty acres of property was purchased in 1941 from Capt. W. H. Brown of Port Townsend. It was half of a homestead, which J.G. Luckey "proved up on" dated May 12, 1901. Luckey had sold to the Izett Logging Company and it had gotten divided and gone to different owners. One hundred twenty acres were later added to our eighty. So the place is made up of 3 homesteads. It is no longer two hundred acres as we have

given several acres for road right-of- way to the county and five acres to our daughter. When we acquired the first eighty acres the log homestead house was still standing on the hillside above the road.

We have loved and enjoyed this property so much that we decided that we never wanted it subdivided. That is the reason we put it into the Land Trust. It is also in a family trust and we hope that the family will treasure and enjoy this place as much as we have. Two of our grandchildren are making plans to build and live on the place at some time. There is a small field on the river where we hold family weddings, picnics and reunions. Over the years we have done some logging, raised cattle, gardened and ran a nursery. Best of all, it has been our home for 63 years".

***A Summary of Land Conservation Options For Landowners in the Puget Sound Area*** was initially developed by the Cascade Land Conservancy; County PBRs and other conservation tools information was added by WSU Extension. For more information contact Paul Racette of WSU Extension, 206-205-3171, [paul.racette@metrokc.gov](mailto:paul.racette@metrokc.gov).